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Coe, George Simmons

The real service that banks render to...

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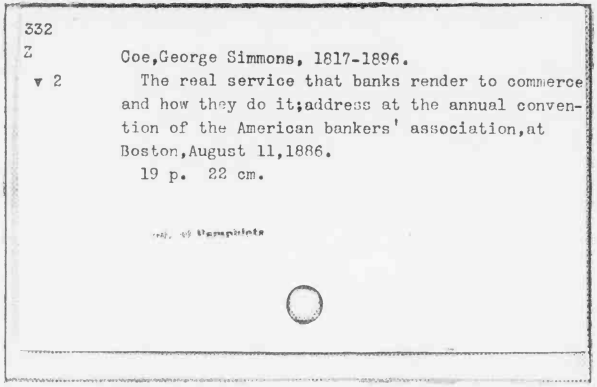
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Coe,George Simmons, 1817-1896.
The real service that banks render to commerce and how they do it;address at the annual convention of the American bankers' association,at Boston,August 11,1886.
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The real service that Banks render to Commerce, and how they do it.

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The real service that Banks render to Commerce, and how they do it.

ADDRESS

OF

GEORGE S. COE,

President of the American Exchange National Bank, New York,

At the Annual Convention of the American Bankers' Association, at Boston, August 11, 1886.

THE REAL SERVICE THAT BANKS RENDER TO COMMERCE, AND HOW THEY DO IT.

The highest material prosperity in the world, is best secured by the widest distribution and interchange, at the least cost, of every article of useful industry. To promote the exchange among men of desirable things, for other things more desired, is the impelling motive of all commercial enterprise and the spring of industry and social intercourse the world over. In estimating the worth of all exchangeable property, there must of necessity be some one kind of property, universally appreciated and desired, to a relative quantity of which any other article for sale can be compared as an equivalent in value, and in which that value can be expressed. This third thing is money. By money, I mean the precious metals which have been used in all ages of the world, as distinguished from any kind of paper instrument. It is not a fetich, a myth, an arbitrary appointment, or even a human creation. It is one product of labor that all men desire. Its value and utility for any people, is diminished or destroyed, just in the degree that it is not kept in accord with all others, or as its character for universal use is in any way impaired. The real presence of this potential medium need not attend every commercial transaction. In fact, as the world progresses toward a higher civilization, money is less and less used as a direct instrument for purchase and sale, but is more and more held in reserved stores ready for aggregated movements between institutions and nations in payment of balances in values of commercial exchanges between them. Yet its vital spirit and significance, as the definite thing of universal desire and recognition, must of necessity be present and prevail in all legitimate commerce. No one nation can for itself change its quality or substitute something else for money, not already current in the outside world, without deranging its own commercial affairs.

These simple statements seem self-evident, but like ethical truths, they are easily forgotten in practice.

There is a community of human interests ante-dating all history and perpetually working to bring the world into one compact and vital organism. Commerce, in its onward sweep, pays little respect to distinctions of race, to lines of nationality, or to special legislation. It moves upon men as men, continually extending and strengthening the bond of human brotherhood and mutual dependence. Every improvement in navigation, every revelation in science, every mechanical invention and every discovery of new and useful productions, is a louder call for human intercourse. But money remains substantially the same indispensable agent through every change. The world grows practically smaller every day. There are now but few isolated and exclusive parts. The forces of nature no less than those of commercial enterprise invite all men to come out of barbarism into civilization—to do some useful work, and to bring the productions of their industry into the markets of the world. Those who at first refuse, are soon constrained to come. While older nations are thus brought into more intimate intercourse with the new, they are themselves subjected to unlooked for competitors in their own cherished industries. The volume composing the commercial currents thus continually changes and expands in measure, place and variety, and the necessity of a uniform and universal standard of value by which these vast aggregates can be equitably transferred from nation to nation, and from hand to hand, is more and more apparent every day. Because money expresses all other material good, it has ever been the object of direct pursuit. Just in proportion as industry languishes, men have tried to thrust upon the world as true money, some debased or counterfeit thing, believing that it will perform the service of the true. Whether this is done lawlessly by one man, or by combined society through forms of law, the fraud is the same in kind, and differs only in degree. It is always a crime against humanity at large.

To produce by industry the money's worth, is the legitimate way to make money. Men do not want the money itself, but what the money's worth will bring by exchange. This is the beneficent and binding law of nature. Older nations have tried in vain to evade it, and their records show how invariably and ignobly they have

failed. It is left to our own new country, and particularly to the newer parts of it, to repeat these old errors—errors all the more conspicuous and aggravated because commerce has so largely extended its sway, and brought all parts and peoples of the earth into closer relations.

Commerce is greater than local statutes and will over-ride them all. The instruments it uses are still those that the experience of long ages has tested and approved. They cannot be supplanted by any one nation without throwing that people into discordant relations with the rest of mankind, and turning it back towards barbarism. Natural law, while it is universal and omnipotent in its operations, is at the same time so genial, beneficent and quiet, and so fits all conditions of men everywhere, that it seems to be no law at all. We only find our mistake when we disregard it, and substitute for it our own petty contrivances. Faith in the idea of natural law and individual rights under it, lies at the very foundation of the American Government.

But the importance of observing what money is, is immeasurably exceeded by regarding what it does. It is the money's worth and not the money itself, that so incessantly passes throughout the commercial tides.

More than nine-tenths of the world's commerce consists of the simple exchange of one thing for another, by means of paper instruments which convey, but do not themselves, like true money, possess its real value. Such instruments when they have discharged their appointed service necessarily die and are withdrawn. Every document that traverses the great highway of nations, must have its constituent of real property concurrently in motion to meet it, and by which it is redeemed when the property is sold. The ships that pass each other upon the ocean, bear the substantial things given in traffic one for another by pre-arrangement of their owners, through the offices of merchants and bankers. All their cargoes, of whatever they may consist, of useful merchandise, are in effect held in the portfolios of bankers through whom they are exchanged and re-exchanged for their money's worth of other things desired, in any other part of the commercial world.

Fortunately, there is no international power that under forms of law can forcibly inject into the world's commerce a fictitious paper intended to perform the offices of money, while not doing the substantial duty of carrying an equivalent value along with it. That stupendous folly can only be perpetrated by individual states, most of whom in the old world have repeatedly tried it, and proved its evil results.

Now what is true of commerce in its larger aspects, is equally true when applied to men living in separate communities. Their wants are the same vital, personal wants, and their rights to supply them are private, personal rights, fairly embraced in those classed as inalienable, such as "life, liberty and the pursuit of happiness, to secure which, governments are instituted among men;" and therefore if ever admitting of government interference, it is only when, and only while, life, liberty and happiness are each and all in deadly peril. Having referred to these "self-evident truths," it may not be out of place to say a passing word respecting the only expressed constitutional power of the American Government over money, viz: "Congress shall have power to coin money and fix the value thereof and of foreign coins." This clearly implies the duty while coining our own, of keeping in view the coins of other nations, with reference to commercial relations with them, and of adjusting our own coins in conformity to, or in equivalence with theirs in value, for the better promotion of trade. Certainly this cannot be a power given to impede its commerce by gratuitously throwing this great nation into a debased standard of value as compared with others with whom it must deal. This relation is not one between organized nations themselves, as states, but between individuals composing them, and therefore the chain of connection cannot be arbitrarily broken, nor be permitted to remain needlessly severed, without unequally invading the personal rights of men, both within and without the state.

It is perfectly natural that a nation like ours, having speedily subdued a continent of almost boundless extent and fertility, should regard itself as a self-sustaining power, independent of all others in its internal methods and resources, and able to set at defiance the principles which ages of experience have elsewhere approved. Even

if this were so, what is the use of doing it? With all our rapid advance, many other portions of the earth are also rapidly developing new productions, which are fast coming into market to claim a division of profits which this people had begun to estimate as peculiarly their own exclusive reward for supplying the old world with food. But the rapid progress of industry everywhere else, is giving us due warning, that to hold a place of first rank among the nations, we must cultivate commerce with the world at large upon established methods, and carefully keep pace in the line of march with the peoples without, as well as with those within our national boundary.

To have two moneys, or measures different in value, is a waste of capital. The larger proportion of money is best kept an idle and torpid reserve. But it is none the less a treasure of indispensable necessity. Like other reserved forces, it must consist of full vital qualities, and be held in suspense until the exigency arises for which it was provided. And the very fact that great crises suddenly come in commercial affairs, and that they have relations with men beyond the national boundary, makes it all the more necessary that the money of the nation should consist of the universal solvent. To have enough of this, and then to duplicate it by an inferior coin, is at best providing a destructive stimulant, and a most expensive encumbrance. Not to have it, or to diminish the aggregate reserve by dividing the required service between the better and the worse medium, is only to ensure the withdrawal of the first from use at a critical moment, because it is then the safest investment of timid capital, leaving the business community in its utmost need, to suffer the thousand evils of panic and financial derangement. This is now our imminent danger. The shadow of such a prospect is already plainly evident.

But how has it occurred, that a people like ours, of general intelligence, fertile in expedients, with a rich country of boundless resources, and an excess of exportable productions that has created a favorable balance of trade for successive years, sufficient to fill the national treasury and supply every commercial depository with the world's money, now finds itself contending with initial financial questions, and with difficulties ordinarily associated with poverty

and want? Why were we not satisfied to "let well enough alone"? The long use, as a substitute for money, of orders upon an empty treasury, emitted without provision for their redemption, and continually re-issued and renewed; and which, in an unguarded moment, were deprived of their original right to be funded into the public debt, and were afterwards, at the discretion of Congress, made legally perpetual by the Supreme Court, has unconsciously begotten in the minds of our people a feeling that money itself can be created from any material substance, and that *as money*, a printed promise to pay coin, and the coin itself, are somehow identical in value; that the Government is endowed with power as the master, rather than that it is itself the subject and the servant, of natural conditions. The ordinary results of this fundamental error, fatal without exception in every other place in the world where it had been tried, were miraculously averted here by the exceptional conditions of the country. A large army of energetic men, inured to severe toil and privation, were suddenly transferred from war, and from older states and nations, to the fresh fields of the great West, which in a single year, and year after year, from unbroken solitude, yielded to their labor rich crops of golden fruits, sufficient to turn the commercial balance from the old world to the new. This Providential and unlooked for interposition, saved us from our own undoing. Besides all this, the variable monetary conditions of the country, and even the vicissitudes in market prices produced by the alternating volumes of nominal and real money, gave frequent opportunity for the people to take chances in commercial and financial affairs, congenial to all men of adventurous nature, and has schooled our people more or less into the love of speculative enterprises. All these influences, together with the common opinion, that to revive those prosperous days immediately succeeding the war, we must repeat the financial expedients with which they were associated, have created the public sentiment at present so largely prevailing. And so, although the war has since a quarter of a century passed into history, the special compulsory measure most reluctantly adopted by the fathers to carry it on, and avowedly justified by them for that purpose alone, is the one measure most persistently cherished and prolonged by their sons as an approved

article of political and financial economy in time of peace. When it is assumed that money can be stamped into being from paper, by an edict of a republican government, it is easy to conclude that the same omnipotent power can say, "Let one dollar's worth of silver bullion become two coined dollars, or any fraction thereof, and it is done." And this state of public feeling will not easily be changed so long as political power is best secured by reflecting the transient opinions of the people, rather than by a diligent study of economical subjects, by statesmen who will conscientiously impart to their constituents the results of their own careful investigations.

It is also a striking demonstration of the substantial error in these financial expedients, that while commerce is striving with all its might to maintain itself upon the world's standard of value, and instinctively repels such unnatural devices, it is in peril of being overwhelmed by an excessive creation of one of them, and by the re-issue of the other, to be used in the enforced payment of the public debt into which some of the war currency had been safely funded at the lowest rate of interest, thus completely reversing the provision originally made for its entire extinction.

It may seem that in thus referring to government paper, I am needlessly dwelling upon a thing of the past, not likely to be continued or repeated. But is it so? When this constant and unprecedented creation and storage of silver coins shall exceed the power of treasury resources, to retain them, they must be forced out in payment of all government dues, and become at once the standard measure of the domestic trade of the country. They cannot be mixed together in the commercial currents in any continuous service. Their parity with gold will be destroyed in practice, as it already is in fact. Gold will be withdrawn from use as money and become merchandise, daily more and more cherished for its superior value. *When* this will occur, we all know, is merely a question of time. This will obviously leave a sudden void to be filled by some other medium. It is easy to see that the financial distress produced by this transition will naturally seek relief by an overwhelming demand upon Congress for new issues of the familiar greenbacks, redeemable if at all, in the same deteriorated silver coin. Thus the two forms of currency will

indefinitely increase, becomes more closely united, and will sink down together. When law thus silently invades established methods, by the compulsory creation of merely local money, law is consistent with itself in demanding that it be used. This second error, the necessary consequence of the first, can only be prevented by firmly withholding the threatened flood, and by revoking the fatal edict—fatal as events have proved, even to the special interest which it was intended to protect. Will this law be repealed? This is the great issue, before which our nation with its business disturbed, now stands halting, neither following the example nor taking counsel with other nations perplexed by the changed aspects of the silver question, and with whose commerce we are inextricably involved. That we should so needlessly inflict upon ourselves such confusion and discord in the simple affairs of life, when every motive points clearly in the opposite direction, is one of the marvels of our time.

Meantime our banks, the special servants of commerce, are pursuing their way as best they can, subject to these conflicting currents. The exchanges of property passing through them, between the people, amounts to more than one thousand millions dollars in value per week, and in all these vast aggregates, comparatively little money is used. The currency or paper instruments by which these exchanges are effected, is substantially like that which is used by the world at large. It consists of orders for the transfer of the money's worth of merchandise in whatever form, passing from one person to another by means of deposits and checks, which carry with them their expressed value given or received in the infinite variety of things required in life. These orders or checks, like those used in international commerce, having performed their intended service, become defunct. They are currency redeemed. They have no other vitality than that inherent in the particular property which originates them, and which, to give them validity, must pass concurrently with every one of them from hand to hand. Like tickets for baggage, and receipts for freight, they only facilitate the things conveyed, by the motive power supplied by the banks. If it were possible for any man, by his simple mandate to enforce his checks upon others, when he had no deposit

in bank, he could thus create legal tender currency, which is nothing more nor less than an arbitrary overdraft of resources, a giving of power to expend wealth in advance of production, and is in effect a derangement and disturbance of the equities among men, reaching far out in its results, through all society. To estimate the larger volume of legitimate currency existing, it is necessarry to take into view the property in process of exchange, as it is represented by deposits in banks subject to draft. It is evident that the sum of these, as of any other legitimate currency, has no relation whatever to the number of existing population, but solely to their industrial character and to the results of their labor; and if every person in the great hive of industry who has any thing to exchange with others were connected with such an organization, the trade of the community could be effected by this kind of currency alone. This truth is practically recognized every day. Dealers in banks are increasing rapidly in number, and banks are regarded more and more, the indispensable agents in the economies of life. Their simple instruments of exchange relieve the public from the personal cares and risks of transporting money, and they accomplish all the objects which any other forms of currency can possibly secure. If there were but one such institution in a given community, and it embraced every inhabitant transacting business, other things being equal, it is plain that but little actual money would be in movement; that the deposits and checks of that institution would, in effect, represent all the property in the community, marketable, or in process of exchange, and that the only money absolutely required, would be that which was needed in payment of wages, and that kept in reserve for sudden exigencies, and for the settlement of balances of trade with other communities outside of itself. That such a community would be injured and not aided by creating for itself an arbitrary standard of value, not in accord with those surrounding it, is obvious. As no paper currency can possess commercial vitality beyond that given by its accompanying constituent, so no dead issue can possibly be endowed with commercial life by process of human law. The practical difficulty attending a currency of checks and deposits alone, lies in the fact that to pass a check or to secure creditable relations with a bank, demands a degree of moral

standing and personal intelligence not possessed by all the members of a community, and for these a form of currency is needed which easily attests its own authenticity. But this medium is but the smaller part, probably not more than one-tenth, of the aggregate currency required. It should somehow be made to rest upon that same substantial foundation which accredits the great volume of currency of the same community, and which carries along with it the means for its own prompt redemption. If this smaller portion of the currency be unduly expanded or debased, do you not disproportionately raise retail prices and impair the wages of labor and thus afflict the poor? This larger medium of deposits and checks now constitutes the currency of more than nine-tenths of the aggregate business of the country, as other forms of transfer do of the world. Observe the published records of Clearing House movements from week to week. See how the great staples are moved to market! After the simple labor is expended upon them, their value is drawn for, and the drafts deposited in banks from place to place, as they progress towards their destination. Checks upon banks drawn against them for their money's worth, are converted by the same process into the the money's worth, of other needful things, until they reach the place of exportation, when the same paper instrument for international purposes takes another name, although it does the same duty in substantially the same manner through foreign bankers. In all these changes and interchanges of merchandise, the values to and fro may be so nearly equal that little or no money is touched in the process, but it is of vast importance that the standard of value, as money, in which the reckoning is made, shall be kept everywhere the same. All this, so plain in statement, must commend itself as both practical and just. And when you multiply banks over a vast country, and divide this important service among them all, both the principle and the practice remain unchanged. The wonder is that a subject so simple in itself could ever have been so completely enveloped in cloud as to admit of the boundless abuse and mystery that has surrounded this most practical question of life.

But our banks are now subject to special trials and dangers. On the one hand, they are under the highest obligation to persistently continue their efforts to maintain the gold standard of value, which anchors the prices of the countless millions of property annually passing through their exchanges, upon solid commercial ground, and also secures the validity of existing contracts unto their true intent, and upon the common level of other commercial nations. On the other hand, they are under the dominion of local laws creating a debased dollar, and prolonging indefinitely a paper currency of unsubstantial foundation, which together continually tend to force the financial measure down to a degraded level. Fidelity to the course which a sense of justice and substantial prosperity alike prompt them to pursue, carries with it a feeling of irreverence for, and of insubordination to, the laws of the land. They have waited in hope, and so far in vain, for the legislators of the nation to come to a better mind, and they now rely upon the co-operation of those who so ably administer these peculiar laws, to avert from the business community their almost inevitable consequences. The situation presents a novel spectacle to the world. It is not the first time that the laws of the land and the higher law, have been in conflict, in respect to things that are only "made perfect through suffering."

The unity of interest in our banking system throughout the land will be more apparent when we consider that the staples which form the great body of our industrial exchanges are in universal demand, and largely find their markets abroad, and there is no spot from the place of production to the place of final use, where the measure of value can be changed without confusion and danger. The wages for culture of these products are first entitled to full compensation in the most reliable form of money existing. Anything less than this is the grossest injustice, and a fatal blow at social order (and just here a debased or fictitious currency does the greatest wrong). This first step rightly taken, these productions are in effect placed in custody of banks, which give capital and credit to their money's worth, and permit that value to be drawn out by checks of the depositors, in amounts as their convenience demands. These checks are essentially currency, because their money value in property has by them been made current in commerce. The same property moving

on to its next destination, may be there again divided and subdivided and sold, or started further onward with like results; and as it goes forward from bank to bank and from place to place, and is drawn upon, it creates new currency, at the same time, by its proceeds at every subsequent station, discharging that which it had created before, until the port of foreign export has been reached, when it finally becomes the subject of a foreign check or draft at the equivalent in the world's money, and thus discharges all the currency it left behind it. In all this progress there is no legitimate room for dislocation or change of measure, but to be natural and free, all must be uniform throughout.

From the very nature of their duties, every bank will seek to be in kindly relations, more or less responsible, with others in the direction of its trade, and the whole body will then move together as one organism, all finally uniting, directly or indirectly, with those that reside at the commercial centres where international trade goes and comes. These receive and pay the money balances which such trade creates, and the money that they use must be therefore such as will be accepted, as well at its real, as at its nominal value, both at home and abroad. It is obvious that two unequal forces of this character cannot work kindly together. Here we reach the place where the United States of America, free and independent, enters into conflict with the world. The banks upon the ocean border where the great waves of commerce within and without meet each other, are now the places of special danger. They perceive, with reference to their own resources, how the rapid increase of debased dollars is continually absorbing the resources of the country by the conversion of the current coin that larger commerce desires, into the local kind which it flatly refuses; while the existing statute inexorably calls for additional monthly sums, irrespective of commercial laws and needs, and demands admission of the swelling volume into the healthful currents of trade.

They dread the day when government will be compelled to enter the Clearing Houses there, and pay its current obligations in deteriorated money, and thus at once subject the countless articles of human industry exchanged throughout the land, and every existing

contract for value, to a local and debased measure of varying value. They see how dexterously the Treasury Department is working as a national wizard in the tireless endeavor to retain a stock of good money, sufficient to keep both kinds of arbitrary currency up to the common level of mankind, anxiously and ingeniously trying to do impracticable things. All this they are compelled to observe while in daily dread of the inevitable result, in the profoundest sympathy with the men who so bravely maintain the integrity of the nation, and in the hope that an intelligent people will early come to the rescue. And what fancied good to this wealthy nation can possibly be expected by this novel and unequal struggle, which every thoughtful man knows must end in greater disaster the more it is prolonged? Why should the governmental forces be wasted and distressed in this vain contest with the powers of nature, the universal practices of men, and the laws of God, rather than be employed in the easier task of finding the shortest way back to the paths of peace and prosperity?

Fortunately this great question is not one that either of the political parties just now claims as its own peculiar property. Both have split upon it into unaccountable fragments, and both in undefined apprehension of danger, prefer to seek other issues for consolidation. We may therefore here discuss it as economists, without embarrassment. But its essential importance and vast embrace will inevitably command for it the most absorbing consideration, not as a measure of lower politics, but of higher statesmanship, until it is finally and rightly settled in the national council.

This is not merely a cold question of dollars and cents, but one embracing every department of human welfare. It involves all industry and its reward, making virtuous endeavor variable and uncertain, not dependent on wise forecast and intelligence, but subject to legislative caprice, and to all the influences which enter into the devices of political parties. When currencies part company, their divergence is variable and uncertain. They not only become themselves the subject of speculation and wicked control, but every thing they respectively measure and affect, is thrown into similar complications. No community can be contented, virtuous or happy under such conditions of life. All business affairs fall into confusion and

become games of chance, subject to endless antagonisms and dangers. *"If the foundations be destroyed, what shall the righteous do?"*

While the railroad system is stretching its long lines from every direction, combining one local structure with another, to reach the sea-coast, so as to bring this nation into closer contact with the commercial world, it is a strange anomaly that its legislature should at the same time be gratuitously creating obstacles which interrupt the national exchanges of the merchandise they convey, and embarrass the commerce they secure.

Banks and bankers which perform their duties at the great gates of commerce, must of necessity hold in custody a proper proportion of the money's worth of exchangeable property and of the money itself to meet the variable conditions and demands of trade in either direction. Experience both in the old world and in the new, seems to have proved that as a general rule nearly one-third of the current liabilities of such institutions should be represented by cash in hand, in order to promptly meet the changes and vicissitudes incident to national and social affairs, and that whenever this ratio begins to subside, the expansion of trade can be naturally arrested, and the equilibrium be restored, by charging a higher rate of interest for the use of capital, so as to make property more expensive to carry, and thus to expedite its conversion into money.

It is evident that if merchandise can be thus most advantageously released, it, rather than money, will run into the channels of commerce, and produce the desired international result. It is equally plain, if healthy monetary currents are suspended by the introduction of a false and variable medium, that this commercial gauge and index of trade will cease its natural operation, and no longer give signal of danger. Property will be blindly created and exchanged for other property in unknown proportions, and in profligate ignorance, when the end will be insolvency. The power presumptuously assumed by government to create money, and to change its value, is thus all the while deceiving the people as to their ability to expend, and producing national disappointment and civil discord. So beneficent in their restraints are natural laws, and the ways of Providence.

But passing from these general considerations respecting banks located at the points of junction of inter-nation commerce, permit me to show how intimately these institutions are related to each other, and to those scattered over this vast country. "All are but parts of one great whole." If it be true that a certain ratio of money and of exchangeable property is necessary to hold one commercial locality in healthful relations with the rest of the world, it is equally true that every institution, of whatever kind, that participates in this service, is under honorable obligation to keep itself in the required condition. The Clearing Houses in large commercial cities make all banks there, one in movement, and one in danger. They are therefore bound to be one, in general condition and character.

This responsibility rests especially upon those cities to which the lines of commerce from every direction converge, and in the measure of the volume of property thus interchanged.

Those banks are safe whose assets consist of liens upon such property, as is readily convertible into money. They are more safe when they possess similar property of their own, to re-enforce that which they hold upon deposit for others; and still more so, when an adequate ratio of cash is habitually maintained, to meet all possible exigencies of the situation.

There is a strong temptation to evade and reverse each and all of these conditions, by establishing banks of the smallest practicable capital, who seek to secure the largest measure of deposits by giving special bounties for them, because dividends are more easily earned by borrowing the capital of others, than by possessing it themselves. These are the practices that lead to destructive competition among banks, alienate members of the same Clearing House from each other, and weaken the whole system. They are a producing cause of financial panics, and crises, and institutions which commit them, are those that are always first compelled to seek protection from their colleagues. Whenever banking institutions offer premiums for patronage, their stability may be suspected. Banks in commercial centres holding the reserves of the country at large, are especially liable to sudden demands from home and abroad. They are beset with temptations to invest their resources in enterprises promising

large profits, but not readily convertible into money. It is manifest that their management requires sleepless vigilance and care. They are entitled from the public to a just discrimination, and from each other, to the most honorable and liberal support. They have a right to demand of each other a strict adherence to such practices, as will harmonize and consolidate the total strength, and secure prosperity to all, and safety to the country. Rightly understood, these conditions and these results are inseparably united in the business.

By reference to the printed reports of Clearing Houses, it will be observed that two-thirds the total value of property changing hands in the United States, passes through banks in the City of New York So far as those institutions generously hang together and honorably maintain the high standard of business which their exposed situation demands, they present to the nation and to the world, the strongest guarantee of safety and stability. The experience of the last thirty years, since they became a more compacted and coherent system, has won for them as a body, a deservedly high reputation. This result has not been attained by an equal contribution from each member, of business care and character. It has been proved that no institution is large enough to declare independence of its colleagues, and no one so small but it may do irreparable damage to them all. There is a limit to the forbearance which the stronger may exercise towards the weaker in time of trouble, and even the whole bond of union may be broken, when an important portion find it their interest to withdraw.

But the lapse of time and the facilities of commercial intercourse are proving the expediency and the necessity of more general consolidation of the banking interest, not in the central city only, but throughout the land. By their instruments the industries of the nation are chiefly promoted, distributed and exchanged. They are so indispensable to life that no substitute for them is possible. The immediate prospect before them all is not by any means cloudless. They will have to encounter in their service to the puplic as agents of all industrial exchanges, the caprices and vicissitudes respecting the legal standard, by which all property is valued. Stability in

the existing financial conditions is impossible. These must rapidly grow worse, or be early restored. In either event, the banks throughout the land must largely participate in the chances and changes which the business will have to meet and to suffer before a healthy condition can be generally enjoyed.

It becomes us all to keep our respective houses in order, and to work harmoniously together for mutual protection and for the public good.

Comparative Statement of the Clearing Houses of the United States for 1884 and 1885.

List of Clearing Houses in the United States, Oct. 1st, 1885, who report their transactions; St. Paul, Norfolk and Minneapolis, have Clearing Houses but decline to furnish the amount of their transactions.

	No. of Banks	Exchanges, Oct. '84 to Oct. 1885	Balances, same time	Exchanges, Oct. '83 to Oct. 1884
New York	64	$25,350,791,440	$1,295,355,252	$34,092,037,338
Boston	52	3,365,702,730	442,972,332	3,540,980,659
Philadelphia	30	2,244,194,406	215,464,089	2,664,317,901
Chicago	19	2,248,230,189	257,588,370	2,349,152,846
St. Louis	20	745,577,323	122,057,237	817,462,162
Baltimore	21	590,859,346	76,623,877	653,205,248
San Francisco	16	562,640,183	96,150,787	580,739,638
Pittsburgh	19	358,517,850	74,460,991	469,316,010
New Orleans	10	387,485,900	46,712,200	502,013,067
Cincinnati	18	439,034,000	No Record	480,400,000
Providence	34	205,575,000	No Record	227,300,000
Louisville	21	208,714,120	49,794,209	221,921,422
Milwaukee	9	179,437,953	31,967,463	178,995,638
Detroit	15	134,650,006	23,849,499	138,393,735
Cleveland	10	101,305,382	No Record	107,057,507
Indianapolis	8	65,325,339	10,936,134	77,530,440
Kansas City	6	209,335,915	33,309,955	166,237,923
Hartford	15	77,495,526	23,484,960	85,683,599
New Haven	10	54,803,637	12,542,686	57,898,025
Columbus	15	33,632,517	10,965,358	34,708,858
Memphis	7	67,199,260	16,008,332	60,040,361
Peoria	8	40,554,333	11,370,217	47,182,994
Worcester	8	37,036,992	11,358,664	39,610,041
Springfield	9	36,754,686	10,396,230	38,860,656
Lowell	7	22,403,614	8,578,929	24,460,396
Syracuse	8	24,372,022	5,675,360	27,266,247
Portland	6	44,786,547	8,556,421	33,324,643
Omaha	6	New	New	New
Saint Joseph	4	33,784,703	9,510,485	No Report
Denver	7	New	New	New
Totals		$37,770,110,819	$2,905,629,837	$47,716,039,353

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TITLE